



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**


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J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

June 14, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **H.S. CONSORTIUM OF THE EAST SAN GABRIEL VALLEY (dba) LA
WORKS CONTRACT - WORKFORCE INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of H.S. Consortium of the East San Gabriel Valley (dba) LA WORKS (LA WORKS or Agency), a Workforce Investment Act (WIA) services provider.

Background

The Department of Community and Senior Services (DCSS) contracts with LA WORKS, a private non-profit organization to provide and operate the WIA Adult, Dislocated Worker, Rapid Response and Youth Programs. The WIA Adult and Dislocated Worker Programs assist individuals obtain employment, retain their jobs and increase their earnings. The WIA Rapid Response Program provides assistance to companies that are facing a reduction in their workforce and soon to be dislocated workers cope with career transitions by providing orientation seminars, workshops and materials. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. LA WORKS' offices are located in the First, Fourth and Fifth Districts.

LA WORKS is compensated on a cost reimbursement basis. LA WORKS' contract for Fiscal Year 2005-06 was for approximately \$4.3 million.

"To Enrich Lives Through Effective and Caring Service"

Purpose/Methodology

The purpose of the review was to determine whether LA WORKS complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

All 20 program participants met the eligibility requirements for the WIA programs and the eight participants/guardians interviewed confirmed that the services received met their expectations. However, LA WORKS did not document in the participants' Individual Employment Plans \$400 in incentives paid to five adult and dislocated worker participants after the participants exited the WIA programs as required.

LA WORKS also did not always provide the services in accordance with the County contract. Specifically, LA WORKS:

- Did not discuss Individual Service Strategy plans with two (20%) of the 10 youth participants sampled on a monthly basis.
- Did not administer the post-assessment exams for three (30%) of the 10 youth participants within one year of the pre-assessment exams.
- Did not report the program activities for nine (90%) of the ten youth participants on the Job Training Automation system.
- Did not maintain adequate documentation to support travel expenditures charged to the WIA programs in January and February 2006.
- Did not perform a fair market assessment for the facility it currently leases or perform a cost analysis for the consultant it contracted to provide program services as required by federal guidelines.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with LA WORKS on April 3, 2007. In their attached response, LA WORKS disagrees with the recommendation requiring the Agency repay DCSS \$400. LA WORKS indicated that the \$400 in supportive services provided to participants were allowable, which is accurate, if the incentives are necessary for the participants to succeed in and complete the WIA program. However, WIA guidelines

and the State of California's Employment Development Department require that the supportive services must be documented in the participants' Individual Employment Plans (IEP). As indicated in our report, LA WORKS did not document the need for post-placement supportive services in the participants' IEPs, as required. The above regulatory requirement was discussed with the Agency at the April 3rd meeting. Accordingly, LA WORKS needs to repay DCSS \$400 for the unsupported supportive services.

LA WORKS also indicated that they have conducted the fair market assessment for the leased property and performed a cost analysis for the consultant services used. However, LA WORKS did not provide documentation to support that a fair market assessment for the leased property or a cost analysis for the consultant services, as required.

We notified DCSS of the results of our review and they agree with our findings and recommendations. We will follow up our recommendations during next years' monitoring review. We thank LA WORKS for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Kevin Stapleton, Chairman Board of Directors, H.S. Consortium of the East San
Gabriel Valley (dba) LA WORKS.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
H.S. CONSORTIUM OF THE EAST SAN GABRIEL VALLEY (dba) LA WORKS
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether H.S. Consortium of the East San Gabriel Valley (dba) LA WORKS (LA WORKS or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We sampled 20 (4%) participants (five adults, five dislocated workers, and ten youths) from a total of 499 participants that received services between July 2005 and May 2006. We reviewed the 20 case files for documentation to confirm their eligibility for WIA services.

Results

All 20 program participants met the eligibility requirements for the WIA programs.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (4%) participants that received services during July 2005 through May 2006. We also interviewed a total of eight participants/guardians.

Results**Adult and Dislocated Worker Programs**

The four participants interviewed confirmed that the services they received met their expectations. However, LA WORKS did not document in the participants' Individual Employment Plans \$400 in incentives provided to five (50%) of the ten participants after the participants left the WIA programs as required by the WIA and federal guidelines.

Youth Program

The four participants/guardians interviewed confirmed that the services the participants received met their expectations. However, LA WORKS' participant case files did not document that the participants' Individual Service Strategy (ISS) plans were discussed with two (20%) of the 10 participants sampled on a monthly basis as required. The ISS plan is used to track the needs and services of the program participants and their progress towards achieving established goals. LA WORKS' case files also did not document that the participants' post-assessment exams were administered for two (20%) of the 10 participants within one year of the pre-assessment exams as required. Subsequent to our review, LA WORKS provided additional documentation to support that the post-assessment exams were conducted and that the ISS plans were discussed with the two participants on a monthly basis.

In addition, LA WORKS did not report the program activities for nine (90%) of the ten youth participants sampled on the Job Training Automation (JTA) system as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. Subsequent to our review, LA WORKS updated the JTA system with the participants' program activities for the nine participants.

Recommendations**LA WORKS management:**

- 1. Repay DCSS \$400.**
- 2. Ensure that staff document the need for post-placement supportive services as required.**
- 3. Ensure that staff discuss ISS plans with youth participants on a monthly basis.**
- 4. Ensure that post-assessment exams are administered within one year of the pre-assessment.**

- 5. Ensure that staff update the JTA system to reflect the participants' program activities.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's March 2006 bank reconciliation and their February and March 2006 petty cash records.

Results

LA WORKS' revenues were properly recorded and deposited in a timely manner. However, LA WORKS used petty cash to refund a participant's wage garnishment, totaling \$122, which is not allowable. LA WORKS also exceeded their petty cash maximum of \$100 per transaction in five (17%) of the 29 petty cash transactions reviewed. Subsequent to our review, LA WORKS updated its petty cash policy to increase their transaction maximum amount.

In addition, LA WORKS' petty cash policy indicated that a petty cash fund up to \$1,000 be maintained. However, the County contract requires a petty cash fund up to \$500 and that the contractor must obtain written approval from DCSS to establish a petty cash fund greater than \$500. LA WORKS did not obtain written approval from DCSS to increase their petty cash fund.

Recommendations

LA WORKS management:

- 6. Ensure that petty cash is not used to pay participants' wages.**
- 7. Ensure that the Agency's petty cash policy is in compliance with County contract requirements.**
- 8. Ensure that staff adhere to the Agency's petty cash policy and not exceed its petty cash maximum.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and other documentation for 31 (47%) of the 66 non-personnel expenditures transactions billed by the Agency for March 2006, totaling \$79,057.

Results

Generally, LA WORKS' expenditures were allowable and accurately billed. However, LA WORKS did not maintain adequate documentation to support travel expenditures charged to the WIA programs in January and February 2006, totaling \$140. Specifically, the mileage claims did not provide the odometer readings, the points of origins and destinations to support the expenses, as required. Subsequent to our review, LA WORKS revised its mileage claim policy and provided supplemental documentation to support its mileage expenditures.

Recommendation

9. **LA WORKS management ensure that the mileage claims provide adequate information, such as odometer readings, points of origin and destinations to support travel expenses.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

LA WORKS did not always comply with County contract requirements. Specifically:

- LA WORKS did not perform a fair market assessment for the facility it currently leases.
- LA WORKS did not perform a cost analysis for the consultant it contracted to provide program services as required by federal guidelines.
- LA WORKS' accounting policies and procedures manual and the instruments used to monitor subcontractors were outdated and incomplete.

Subsequent to our review, LA WORKS updated its accounting policies and procedures manual and the instruments used to monitor the subcontractors.

Recommendations**LA WORKS management:**

10. **Ensure that a fair market assessment is performed on the leased property.**
11. **Ensure that staff conduct a cost or price analysis for all procurement transactions.**
12. **Ensure that personnel comply with the updated accounting policies and procedures.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether LA WORKS' fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 12 (3%) of the 363 items purchased with WIA funds, totaling \$12,599.

Results

LA Works used the equipment purchased with WIA funds for the WIA programs and the equipment purchased were safeguarded. However, LA WORKS' inventory listing did

not have the required information, such as serial number and percentage of federal participation in the cost of property as required by federal regulations. Subsequent to our review, LA WORKS provided a revised inventory listing with all the required information.

Recommendation

- 13. LA Works management ensure that the inventory listing includes the required information.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the WIA programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed payroll expenditures for 21 employees, totaling approximately \$98,342, to the payroll records and time reports for February 2006. We also interviewed two staff and reviewed the personnel files for five staff assigned to the WIA programs.

Results

Generally, LA WORKS appropriately charged payroll expenses to the WIA programs. However, LA WORKS did not maintain proof of auto insurance or copies of the employees' driver's licenses in all five (100%) employees' personnel files. LA WORKS also did not perform the annual performance evaluation for one (20%) of the five employees sampled. The last performance evaluation was performed in July 2004. Subsequent to our review, LA WORKS provided copies of the employees' driver licenses and proof of auto insurance for all five employees.

Recommendation

- 14. LA WORKS management ensure that personnel files are kept current with the required information and that annual performance evaluations are performed.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed LA WORKS' Cost Allocation Plan and a sample of expenditures incurred by the Agency during March 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

LA WORKS' Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated to the Agency's programs.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from Fiscal Year 2004-05 monitoring review were implemented. The report was issued on January 24, 2006.

Results

The prior year's monitoring report contained four recommendations. LA WORKS implemented all four recommendations.

Recommendation

There are no recommendations for this section.



May 11, 2007

J. Tyler McCauley, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Suite #51
Alhambra, CA 91803
Attention: Yoon Bae

**RE: Second Response to Final Draft Monitoring Report for
Review of FY 2005-2006**

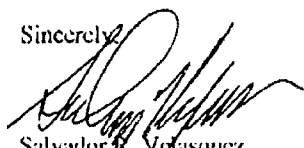
Dear Mr. McCauley:

In our letter dated May 7, 2007 we addressed four of the Recommendations in the above-referenced Report: #1 and #2, with which we disagree; and #10 and #11, with which we agree and were already in compliance.

Ms. Yoon Bae of your staff yesterday requested that we also address the other Recommendations contained in the Report. In response, we agree with and have taken the appropriate action with regard to each of Recommendations #3-#9 and #12-#14.

If you have any questions, please contact Shelly Laddusaw at (626) 960-3964, ext. 2246.

Sincerely,


Salvador R. Vasquez
Chief Executive Officer

Phone

Facsimile

Address

City, State, ZIP

County

Country



Phone

Cellular Phone

Fax

Cellular Phone

Business Address



May 7, 2007

J. Tyler McCauley, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Suite #51
Alhambra, CA 91803
Attention: Yoon Bae

**RE: Response to Final Draft Monitoring Report for Review of
FY 2005-2006**

Dear Mr. McCauley:

We are in receipt of your final draft report dated April 18, 2007 for the monitoring conducted by your office May 2-5, 2006.

It is our understanding all Recommendations have been resolved except for the following four areas. Below, please find our responses to the recommendations in your letter.

Recommendation #1: Repay DCSS \$400

Response: We disagree with this finding, for several reasons:

1. The program in question is an employment incentive program, not a post-placement supportive service. It was mischaracterized by the monitor as a supportive service, and that misunderstanding by the monitor is the basis for the recommended repayment.

2. One purpose of the program is to give customers an incentive to remain employed, or to find another job if they leave their initial employment for any reason. In either case, if the customer is employed at the end of the quarter following the quarter during which they were initially placed into a job, WIA law allows the County and this agency to receive credit for the job placement. There is no provision of WIA law or regulations which prohibits offering a customer incentive for this purpose.

5200

Irwindale

Avenue

Suite 210

Irwindale

CA 91706



Phone
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626.962.0064

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3. A second purpose of the incentive program is to obtain WIA-required follow-up information in the most timely and cost-efficient manner possible. The County of Los Angeles requires the following data for placement/retention documentation, in the order listed: (a) check stub, or (b) employment verification letter from the employer, or (c) UI Base Wage Report, or as a last resort, (d) a telephone call to the employer, who affirms the customer's employment. The incentive program results in this agency spending minimal WIA funds to obtain a check stub, which is the documentation preferred by the County. Before creating the incentive program, agency staff often had to make numerous phone calls to the client, send numerous letters to the employer, wait for UI Base Wage data, which is not available until 3-6 months after it is needed (too late to assist an unemployed client to find other employment, and too late for the agency and the County to obtain job placement credit), and as a last resort spend evenings and weekends making telephone calls to the clients (who are not available during working hours if they are employed). This was a very costly and inefficient use of staff resources.

There is no question that the agency is permitted to spend WIA funds for follow-up activities, which are required by law and by the County. We implemented this program only after extensive research to ensure it was a cost-efficient and allowable method under WIA to obtain the follow-up job placement documentation (check stubs) most preferred by the County, and we have attached for your reference an opinion letter from our attorney affirming that this program is allowable. *See Attachment 1.* There is no provision of WIA law or regulations which prohibits offering a customer incentive for this purpose.

4. The monitor offers no statutory or regulatory authority which supports the conclusion that the customer incentive program is prohibited, or that repayment is required. Without any authority, the conclusion cannot be supported.

We believe there is no further action required in response to this Recommendation.

Recommendation #2: Ensure that staff does not provide incentives to participants who have left WIA programs.

Response: We disagree with this Recommendation, for the same reasons listed above with regard to the repayment of incentive funds.

Recommendation #10: Ensure that a fair market assessment is performed on the leased property.



Response: We agree that we must perform a price analysis before leasing office space, and we did so in 2003 before we signed the lease in question. See Attachments 2 & 2A. We believe no further action is necessary.

Recommendation #11: Ensure that staff conduct a cost or price analysis for all procurement transactions.

Response: We agree that we must perform a price analysis before retaining a consultant on an hourly fee basis, and we did so in June 2005 before entering into the agreement in question, by comparing the hourly rates of several consultants. See Attachment 3. We believe no further action is necessary.


If you have any questions, please contact me at (626) 960-3964, ext. 2223 or Shelly Laddusaw at ext. 2246.

Sincerely,

A handwritten signature in black ink, appearing to read 'Salvador R. Velasquez', written over a horizontal line.

Salvador R. Velasquez
Chief Executive Officer

Attachments



ATTACHMENT #1

THE LAW OFFICE OF
WILLARD V. JONES
LICENSED IN COLORADO AND CALIFORNIA

12650 WEST 64TH AVENUE, SUITE #E-507, ARVADA, COLORADO 80004
PHONE: 303.619.5936 FAX: 877.619.5936
EMAIL: willardvjoneslaw@msn.com

March 23, 2007

Mr. Salvador R. Velasquez, CEO
LA Works
5200 Irwindale Avenue
Irwindale, CA 91706

Re: **Opinion on the Allowability of the LA Works
"Customer Employment Incentive Program"**

Dear Mr. Velasquez:

You have requested our opinion regarding the allowability under the Workforce Investment Act ("WIA") of paying incentives to former WIA participants to obtain from them verification of their continued employment and wages. In our opinion, the Customer Employment Incentive Program is permissible and WIA funds paid to former participants under the Program are not subject to disallowance, as further explained below.

How the Incentive Program Works

As we understand it, the LA Works "Customer Employment Incentive Program" was developed years ago to accomplish several positive results:

- (1) reward participants for verifying to LA Works that they have obtained and remained in a job after WIA participation,
- (2) expedite the WIA-required follow-up process which LA Works performs,
- (3) improve the accuracy of data on participant outcomes which LA Works must collect, and
- (4) help LA Works exceed its WIA performance standards.

Under the Incentive Program, we understand that LA Works gives four vouchers to each Adult or Dislocated Worker participant who obtains a job after receiving WIA-funded services

MR. SALVADOR R. VELASQUEZ
MARCH 23, 2007
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WILLARD V. JONES

from LA Works. Each voucher may be redeemed for a \$50 gift certificate when the former participant submits a current paycheck stub which verifies her/his continued employment and pay rate.

The vouchers are redeemable only at intervals (generally, quarterly) which coincide with the times when LA Works is required by WIA to collect follow-up data. If a voucher is not redeemed by the participant within the specified time period and with the required employment and earnings verification, it cannot be redeemed at all. These requirements are described in detailed written procedures which govern the Incentive Program's implementation, and those written procedures are provided to program reviewers from County, State and Federal WIA funding sources upon request.

Why Incentive Payments are Allowed by WIA

The incentive payments made by LA Works under its Incentive Program are allowable costs under WIA for several reasons:

1. Follow-up services to former participants placed into unsubsidized employment are one category of required "core services" [see WIA Sec. 134(d)(2)(K)]. In other words, the foundational legal principle is that WIA funds may be spent to serve participants after they have terminated their participation in WIA programs.
2. The incentives in question are paid in connection with LA Works performing its WIA-required follow-up duties, including verifying job retention and earnings of former participants for the required period of twelve (12) months after placement into unsubsidized employment [see WIA Sec. 136(d)(2)(D)]. It is inarguable that WIA allows LA Works to expend WIA funds to perform these WIA-required activities.
3. It is reasonable for LA Works to expedite its WIA-required follow-up by obtaining employment and earnings verification directly from the employed ex-participant in return for an incentive payment. Our judgment that this is reasonable is

MR. SALVADOR R. VELASQUEZ
MARCH 23, 2007
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WILLARD V. JONES

based on the experience of LA Works that this method of follow-up is more cost-efficient than compensating WIA staff to make repeated attempts to contact former participants (who often cannot be found because they are no longer in the same location) and/or the employers of those former participants (who often decline to provide the required information to LA Works).

4. The amount of each incentive payment must be reasonable under the circumstances. Making this judgment is within the authority and expertise of LA Works management, based on your experience working with participants and your knowledge of the amount of incentive payment required to ensure their cooperation. We envision no circumstance in which an outside reviewer would have the knowledge and experience working with LA Works participants sufficient to allow the reviewer to second-guess your decision that the reasonable and necessary amount for each voucher is Fifty Dollars (\$50).
5. Neither WIA law nor regulations prohibit payment of such incentives, and if any reviewer concludes that such a prohibition exists, the reviewer should be requested to cite the legal authority which supports that conclusion.

In summary, LA Works is (a) required to offer WIA-funded services to former WIA participants for 12 months after they are placed into unsubsidized employment, (b) required to follow up on the employment status and earnings of former WIA participants, and (c) permitted to spend WIA funds to do so. Also, neither WIA law nor regulations prohibit paying reasonable incentives to former WIA participants to directly provide required follow-up information to LA Works, and this method of follow-up is more cost-efficient than other allowable (and more staff-intensive) methods.

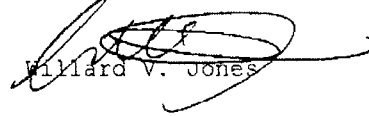
For all these reasons, it is our opinion that the LA Works "Customer Employment Incentive Program" and payments made to former WIA participants thereunder are authorized by WIA.

MR. SALVADOR R. VELASQUEZ
MARCH 23, 2007
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THE LAW OFFICE OF
WILLARD V. JONES

If you have any questions in this regard, please contact me.

Very truly yours,


Willard V. Jones

ATTACHMENTS

#2 & 2A

Finding: LA Works did not perform a fair market assessment for the facility it currently leases

Response:

LA Works has occupied its current offices since February 22, 1995, under the terms of successive leases and options to extend. The most recent extension of its lease was executed by LA Works and the landlord in 2003, and the lease was effective beginning April 1, 2003. LA Works did not take any additional action related to leasing its office space during PY 2005-06, which is the year being monitored.

In entering into its current lease during 2003, LA Works was represented by an experienced commercial real estate broker with knowledge of the area, who performed a search for comparable office space (25,000 +/- square feet) and found none. The criteria of LA Works for its offices included

- a location which is central to the LA Works service area,
- sufficient space to accommodate all LA Works staff and programs,
- reasonable price per square foot compared to other office space in the area, and
- willingness of the landlord to allow early termination due to loss of funds.

Each of these criteria is directly relevant to LA Works programs and complies with applicable procurement requirements. In particular, the early termination right (which many landlords refuse to allow) has been of value during the recent rounds of funding reductions.

In entering into its current lease during 2003, LA Works also considered the cost of moving its offices, employees, furnishings and programs, should it decide to relocate. These include hard costs (hiring a moving company, new stationery, business cards and business outreach materials, changes to computer and communication systems, repairs to damaged items, etc.), the loss of staff time required to plan and execute a move, and the inevitable interruption in services to customers during and after such a move. LA Works saved those costs by remaining in its current location.

In a situation such as this, it was reasonable for LA Works to not take additional competitive procurement action. LA Works therefore complied with applicable regulations in extending its lease for office space during 2003, and took no other related action during PY 2005-06 which violated procurement requirements.

BROKERAGE SERVICES
Commercial Properties

CBRE

CB RICHARD ELLIS
10 Universal City Plaza
27th Floor
Universal City, CA 91608
T 818 502 6724
F 818 243 6069
kevin.duffy@cbre.com

Kevin W. Duffy
First Vice President

April 10, 2007

Ms. Kathryn L. Ford
Chief Operating Officer
LA Works
5200 Irwindale Avenue
Irwindale, CA 91076

RE: 5200/5240 IRWINDALE AVE., IRWINDALE, CA

Dear Ms. Ford:

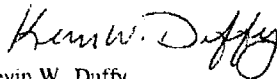
At your request, I am confirming that I represented LA Works during the spring of 2003 in renegotiating the lease of your offices located at 5200/5240 Irwindale Avenue in Irwindale. In that process, and based on many years of experience and extensive knowledge of the commercial real estate market in the San Gabriel Valley, I advised you that there were no other facilities in the area comparable to your current offices, considering total square footage, accessibility to public transportation, flexibility in use between the two buildings, free parking for LA Works commercial, staff and customer vehicles, a floor plan already customized for LA Works' needs, and rent cost per square foot.

As I recall, the decision of LA Works to remain in its current location also considered the high cost of moving, the fact that the entire cost of LA Works' existing tenant improvements had been fully amortized during the previous lease term, and the probable difficulty of negotiating an "early out" provision with a new owner, as LA Works requires.

In my opinion, the decision by LA Works in 2003 to renew its existing lease was the right decision under the circumstances. Please contact me if you have any questions in this regard.

Sincerely,

CB RICHARD ELLIS, INC.



Kevin W. Duffy
First Vice President
(818) 502-6724

KWD:eeo

ATTACHMENT #3

Finding #11: LA Works did not perform a cost analysis for the consultant it contracted to provide program services as required by federal guidelines (David Shinder).

Response:

The "Letter of Agreement for Professional Services" which is in question was effective on July 1, 2005, between LA Works and David Shinder. Mr. Shinder was retained as a contractor to provide a full range of professional and technical assistance services to assist LA Works to comply with Federal and State workforce development regulations. It should be noted that, when procuring such services, neither Federal nor State competitive procurement rules required LA Works to select the low bidder. Rather, the LA Works and any other contracting agency was allowed substantial flexibility to select the professional contractor most likely to be able to provide the highest-quality of services, so long as the cost was reasonable.

Before approving the Agreement, LA Works did compare Mr. Shinder's hourly billing rate to three other LA Works consultants whose areas of expertise are related to workforce development and public agency operations: Robin Russell (\$80/hour), John Chamberlin (\$200/hour) and Willard Jones (\$155/hour). The rate charged by Mr. Shinder (\$75/hour) was competitive with these other rates.

Additionally, at the time he was retained Mr. Shinder possessed unique knowledge and experience. He had a strong foundational knowledge about Federal and State regulatory requirements applicable to LA Works programs and services, of which LA Works was aware from prior experience with Mr. Shinder's work. Also, he had been a long-time employee of the Los Angeles County Department of Community and Senior Citizen Services (DCSCS), the predecessor to today's Community and Senior Services (CSS) Department, so he was familiar with County operations and priorities and could assist LA Works to better understand and more effectively communicate with CSS. Mr. Shinder also had provided consulting services to other Regional Workforce Groups (RWGs) related to workforce development programs, so he had first-hand familiarity with a broad array of programmatic and administrative issues faced by all five of the RWGs. In other words, in the reasonable judgment of LA Works, there was no other source from which LA Works could have purchased professional and technical services in the workforce development arena comparable to those which Mr. Shinder could provide.

Finally, Mr. Shinder had proven in previous work which he performed for LA Works that his analytical and communication skills were excellent, which only confirmed the uniqueness of his capabilities and the value of his services to LA Works.

In summary, LA Works did compare Mr. Shinder's hourly fee charged to that charged by other consultants, and found it to be reasonable in light of the unique knowledge and experience which Mr. Shinder possessed, and his proven skills related to the work which LA Works retained him to perform.